

## AUDITING PROCEDURES REPORT

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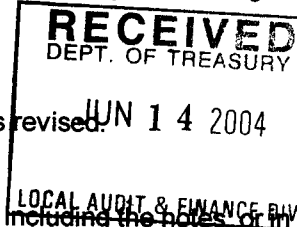
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Sodus	<b>County</b> Berrien
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 4, 2004	<b>Date Accountant Report Submitted to State:</b> June 4, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF SODUS  
Berrien County, Michigan

DEPT. OF TREASURY

JUN 14 2004

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LOCAL AUDIT & FINANCE DIVISION

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

TOWNSHIP OF SODUS  
Berrien County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 4, 2004

To the Township Board  
Township of Sodus  
Berrien County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sodus, Berrien County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Sodus' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Sodus, Berrien County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Sodus, Berrien County, Michigan. Such information, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS  
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	428 873 36	663 977 32	1 658 34
Taxes receivable	8 858 89	9 583 66	-
Due from other funds	548 34	-	-
Land, improvements and buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>438 280 59</u>	<u>673 560 98</u>	<u>1 658 34</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	3 703 68	-	-
Due to other funds	-	-	548 34
Due to others	-	-	1 110 00
Total liabilities	<u>3 703 68</u>	<u>-</u>	<u>1 658 34</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for library capital improvement	-	93 152 34	-
Reserved for library memorials	-	8 069 51	-
Unreserved:			
Undesignated:	<u>434 576 91</u>	<u>572 339 13</u>	<u>-</u>
Total fund equity	<u>434 576 91</u>	<u>673 560 98</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>438 280 59</u>	<u>673 560 98</u>	<u>1 658 34</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	1 094 509 02
-	18 442 55
-	548 34
386 206 58	386 206 58
<u>527 726 51</u>	<u>527 726 51</u>
<u>913 933 09</u>	<u>2 027 433 00</u>
-	3 703 68
-	548 34
-	1 110 00
<u>-</u>	<u>5 362 02</u>
913 933 09	913 933 09
-	93 152 34
-	8 069 51
-	1 006 916 04
<u>913 933 09</u>	<u>2 022 070 98</u>
<u>913 933 09</u>	<u>2 027 433 00</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>(Memorandum</u> <u>Only)</u>
Revenues:			
Property taxes	103 802 35	112 291 05	216 093 40
Licenses and permits	9 464 85	-	9 464 85
State revenue sharing	168 988 00	278 30	169 266 30
Charges for services	19 650 00	-	19 650 00
Penal fines	-	21 855 49	21 855 49
Interest	3 213 08	5 813 59	9 026 67
Miscellaneous	<u>306 49</u>	<u>1 302 86</u>	<u>1 609 35</u>
Total revenues	<u>305 424 77</u>	<u>141 541 29</u>	<u>446 966 06</u>
Expenditures:			
Legislative:			
Township Board	4 944 00	-	4 944 00
General government:			
Supervisor	11 396 80	-	11 396 80
Elections	398 00	-	398 00
Assessor	22 151 11	-	22 151 11
Clerk	12 360 00	-	12 360 00
Board of Review	225 00	-	225 00
Treasurer	11 783 00	-	11 783 00
Building and grounds	2 863 30	-	2 863 30
Cemetery	25 832 32	-	25 832 32
Unallocated	75 614 79	-	75 614 79
Public safety:			
Police protection	28 391 94	-	28 391 94
Fire protection	33 938 23	-	33 938 23
Ambulance	11 765 00	-	11 765 00
Protective inspection	7 689 76	-	7 689 76
Planning Commission	3 907 12	-	3 907 12
Public works:			
Highways and streets	5 000 00	75 000 00	80 000 00
Street lighting	5 337 49	-	5 337 49
Drains	8 675 99	-	8 675 99
Recreation and culture:			
Parks	1 233 94	-	1 233 94
Library	-	27 706 13	27 706 13

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Other:			
Social Security	8 406 62	-	8 406 62
Capital outlay	<u>9 283 96</u>	<u>1 853 47</u>	<u>11 137 43</u>
Total expenditures	<u>291 198 37</u>	<u>104 559 60</u>	<u>395 757 97</u>
Excess (deficiency) of revenues over expenditures	<u>14 226 40</u>	<u>36 981 69</u>	<u>51 208 09</u>
Other financing sources (uses):			
Operating transfers in	-	3 500 00	3 500 00
Operating transfers out	<u>(3 500 00)</u>	<u>-</u>	<u>(3 500 00)</u>
Total other financing sources (uses)	<u>(3 500 00)</u>	<u>3 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	10 726 40	40 481 69	51 208 09
Fund balances, April 1	<u>423 850 51</u>	<u>633 079 29</u>	<u>1 056 929 80</u>
Fund Balances, March 31	<u><u>434 576 91</u></u>	<u><u>673 560 98</u></u>	<u><u>1 108 137 89</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	98 500 00	103 802 35	5 302 35
Licenses and permits	26 900 00	9 464 85	(17 435 15)
State revenue sharing	150 000 00	168 988 00	18 988 00
Charges for services	-	19 650 00	19 650 00
Penal fines	-	-	-
Interest	5 000 00	3 213 08	(1 786 92)
Miscellaneous	-	306 49	306 49
Total revenues	<u>280 400 00</u>	<u>305 424 77</u>	<u>25 024 77</u>
Expenditures:			
Legislative:			
Township Board	4 944 00	4 944 00	-
General government:			
Supervisor	11 600 00	11 396 80	(203 20)
Elections	800 00	398 00	(402 00)
Assessor	23 100 00	22 151 11	(948 89)
Clerk	12 360 00	12 360 00	-
Board of Review	1 350 00	225 00	(1 125 00)
Treasurer	11 783 00	11 783 00	-
Building and grounds	35 850 00	2 863 30	(32 986 70)
Cemetery	29 500 00	25 832 32	(3 667 68)
Unallocated	87 550 00	75 614 79	(11 935 21)
Public safety:			
Police protection	29 240 00	28 391 94	(848 06)
Fire protection	41 423 00	33 938 23	(7 484 77)
Ambulance	11 765 00	11 765 00	-
Protective inspection	17 800 00	7 689 76	(10 110 24)
Planning Commission	18 600 00	3 907 12	(14 692 88)
Public works:			
Highways and streets	415 000 00	5 000 00	(410 000 00)
Street lighting	5 500 00	5 337 49	(162 51)
Drains	8 700 00	8 675 99	(24 01)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
108 000 00	112 291 05	4 291 05
-	-	-
300 00	278 30	(21 70)
-	-	-
22 000 00	21 855 49	(144 51)
-	5 813 59	5 813 59
<u>500 00</u>	<u>1 302 86</u>	<u>802 86</u>
<u>130 800 00</u>	<u>141 541 29</u>	<u>10 741 29</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
90 000 00	75 000 00	(15 000 00)
-	-	-
-	-	-

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Recreation and culture:			
Parks	7 200 00	1 233 94	(5 966 06)
Library	-	-	-
Other:			
Social security	10 100 00	8 406 62	(1 693 38)
Contingency	286 235 00	-	(286 235 00)
Capital outlay	<u>20 000 00</u>	<u>9 283 96</u>	<u>(10 716 04)</u>
Total expenditures	<u>1 090 400 00</u>	<u>291 198 37</u>	<u>(799 201 63)</u>
Excess (deficiency) of revenues over expenditures	<u>(810 000 00)</u>	<u>14 226 40</u>	<u>824 226 40</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>(3 500 00)</u>	<u>(3 500 00)</u>
Total other financing sources (uses)	<u>-</u>	<u>(3 500 00)</u>	<u>(3 500 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(810 000 00)	10 726 40	820 726 40
Fund balances, April 1	<u>810 000 00</u>	<u>423 850 51</u>	<u>(386 149 49)</u>
Fund Balances, March 31	<u>-</u>	<u>434 576 91</u>	<u>434 576 91</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
29 300 00	27 706 13	(1 593 87)
-	-	-
-	-	-
<u>12 000 00</u>	<u>1 853 47</u>	<u>(10 146 53)</u>
<u>131 300 00</u>	<u>104 559 60</u>	<u>(26 740 40)</u>
<u>(500 00)</u>	<u>36 981 69</u>	<u>37 481 69</u>
3 500 00	3 500 00	-
-	-	-
<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
3 000 00	40 481 69	37 481 69
<u>520 000 00</u>	<u>633 079 29</u>	<u>113 079 29</u>
<u>523 000 00</u>	<u>673 560 98</u>	<u>150 560 98</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 4.5883 mills, and the taxable value was \$46,474,243.00.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 094 509 02</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>903 424 32</u>
Total Deposits	<u>1 103 424 32</u>

The Township of Sodus did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land, improvements and buildings	384 788 62	1 417 96	-	386 206 58
Equipment	<u>518 047 31</u>	<u>9 679 20</u>	<u>-</u>	<u>527 726 51</u>
Totals	<u>902 835 93</u>	<u>11 097 16</u>	<u>-</u>	<u>913 933 09</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	136 16	Current Tax Collection	136 16
General	<u>412 18</u>	Agency	<u>412 18</u>
Total	<u><u>548 34</u></u>	Total	<u><u>548 34</u></u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Building Permits

As of March 31, 2004, the Township had building permit revenues of \$7,381.50 and building permit expenses of \$7,171.76.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF SODUS  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Fees and per diem	<u>4 944 00</u>
Supervisor:	
Salary	11 000 00
Miscellaneous	<u>396 80</u>
	<u>11 396 80</u>
Elections	<u>398 00</u>
Assessor:	
Wages	1 768 28
Contracted services	19 451 08
Supplies	<u>931 75</u>
	<u>22 151 11</u>
Clerk:	
Salary	<u>12 360 00</u>
Board of Review:	
Wages	<u>225 00</u>
Treasurer:	
Salary	<u>11 783 00</u>
Building and grounds:	
Supplies	244 70
Repairs and maintenance	<u>2 618 60</u>
	<u>2 863 30</u>
Cemetery:	
Wages	13 164 30
Supplies	691 26
Opening and closing graves	8 800 00
Equipment maintenance and repairs	<u>3 176 76</u>
	<u>25 832 32</u>
Unallocated:	
Wages	4 828 47
Legal	10 435 36
Supplies	4 504 74
Printing and publishing	2 388 62

TOWNSHIP OF SODUS  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Unallocated: (continued)	
Dues and conferences	2 556 74
Contracted services	18 540 68
Audit and accounting	2 600 00
Insurance	24 651 00
Miscellaneous	4 394 80
Repairs and maintenance	714 38
	<u>75 614 79</u>
Police protection:	
Wages	21 693 43
Supplies	413 55
Repairs and maintenance	3 473 64
Miscellaneous	2 811 32
	<u>28 391 94</u>
Fire protection:	
Salaries and wages	18 054 00
Operating supplies	1 736 28
Maintenance and repairs	8 036 58
Telephone	312 16
Utilities	3 385 85
Insurance	1 513 38
Miscellaneous	899 98
	<u>33 938 23</u>
Ambulance	<u>11 765 00</u>
Protective inspection:	
Wages	7 344 50
Miscellaneous	345 26
	<u>7 689 76</u>
Planning Commission:	
Wages	2 725 00
Supplies	1 182 12
	<u>3 907 12</u>
Highways and streets	<u>5 000 00</u>
Street lighting:	
Utilities	<u>5 337 49</u>
Drains	<u>8 675 99</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 3

Parks	<u>1 233 94</u>
Social security	<u>8 406 62</u>
Capital outlay	<u>9 283 96</u>
Total Expenditures	<u>291 198 37</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

March 31, 2004

	<u>Road</u>	<u>Library</u>	<u>Housing Improvement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	528 253 05	134 176 07	1 548 20	663 977 32
Taxes receivable	<u>7 999 70</u>	<u>1 583 96</u>	<u>-</u>	<u>9 583 66</u>
Total Assets	<u>536 252 75</u>	<u>135 760 03</u>	<u>1 548 20</u>	<u>673 560 98</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for library capital improvements	-	93 152 34	-	93 152 34
Reserved for library memorials	-	8 069 51	-	8 069 51
Unreserved:				
Undesignated	<u>536 252 75</u>	<u>34 538 18</u>	<u>1 548 20</u>	<u>572 339 13</u>
Total fund balances	<u>536 252 75</u>	<u>135 760 03</u>	<u>1 548 20</u>	<u>673 560 98</u>
Total Liabilities and Fund Balances	<u>536 252 75</u>	<u>135 760 03</u>	<u>1 548 20</u>	<u>673 560 98</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT F  
Page 1

	<u>Road</u>	<u>Library</u>	<u>Housing Improvement</u>	<u>Total</u>
Revenues:				
Property taxes	93 729 33	18 561 72	-	112 291 05
State revenue sharing	-	278 30	-	278 30
Penal fines	-	21 855 49	-	21 855 49
Interest	4 882 98	924 46	6 15	5 813 59
Miscellaneous	-	1 302 86	-	1 302 86
Total revenues	<u>98 612 31</u>	<u>42 922 83</u>	<u>6 15</u>	<u>141 541 29</u>
Expenditures:				
Public works - highways and streets	75 000 00	-	-	75 000 00
Recreation and culture – library:				
Salaries	-	13 047 09	-	13 047 09
Payroll taxes	-	975 24	-	975 24
Periodicals	-	1 442 08	-	1 442 08
Supplies	-	1 408 54	-	1 408 54
Dues	-	528 90	-	528 90
Telephone	-	1 445 09	-	1 445 09
Utilities	-	2 516 08	-	2 516 08
Repairs and maintenance	-	2 282 07	-	2 282 07
Books	-	3 168 72	-	3 168 72
Miscellaneous	-	892 32	-	892 32
Capital outlay	-	1 853 47	-	1 853 47
Total expenditures	<u>75 000 00</u>	<u>29 559 60</u>	<u>-</u>	<u>104 559 60</u>
Excess of revenues over expenditures	<u>23 612 31</u>	<u>13 363 23</u>	<u>6 15</u>	<u>36 981 69</u>
Other financing sources (uses):				
Operating transfers in	-	3 500 00	-	3 500 00
Total other financing sources (uses)	<u>-</u>	<u>3 500 00</u>	<u>-</u>	<u>3 500 00</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT F  
Page 2

	<u>Road</u>	<u>Library</u>	<u>Housing Improvement</u>	<u>Total</u>
Excess of revenues and other sources over expenditures and other uses	23 612 31	16 863 23	6 15	40 481 69
Fund balances, April 1	<u>512 640 44</u>	<u>118 896 80</u>	<u>1 542 05</u>	<u>633 079 29</u>
Fund Balances, March 31	<u>536 252 75</u>	<u>135 760 03</u>	<u>1 548 20</u>	<u>673 560 98</u>



TOWNSHIP OF SODUS  
Berrien County, Michigan

AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>280 34</u>	<u>824 659 04</u>	<u>824 803 22</u>	<u>136 16</u>
<u>Liabilities</u>				
Due to other funds	280 34	197 787 00	197 931 18	136 16
Due to others	<u>-</u>	<u>626 872 04</u>	<u>626 872 04</u>	<u>-</u>
Total Liabilities	<u>280 34</u>	<u>824 659 04</u>	<u>824 803 22</u>	<u>136 16</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>1 665 91</u>	<u>20 234 28</u>	<u>20 378 01</u>	<u>1 522 18</u>
<u>Liabilities</u>				
Due to other funds	1 665 91	15 345 28	16 599 01	412 18
Due to others	<u>-</u>	<u>4 889 00</u>	<u>3 779 00</u>	<u>1 110 00</u>
Total Liabilities	<u>1 665 91</u>	<u>20 234 28</u>	<u>20 378 01</u>	<u>1 522 18</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>1 946 25</u>	<u>844 893 32</u>	<u>845 181 23</u>	<u>1 658 34</u>
<u>Liabilities</u>				
Due to other funds	1 946 25	213 132 28	214 530 19	548 34
Due to others	<u>-</u>	<u>631 761 04</u>	<u>630 651 04</u>	<u>1 110 00</u>
Total Liabilities	<u>1 946 25</u>	<u>844 893 32</u>	<u>845 181 23</u>	<u>1 658 34</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

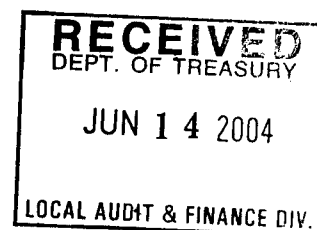
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 4, 2004

To the Township Board  
Township of Sodus  
Berrien County, Michigan



We have audited the financial statements of the Township of Sodus, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Sodus  
Berrien County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Sodus  
Berrien County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Sodus will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants